Bridal Finances 101

By Derrick Myers, CPA, CFP, PFCI

Editors' Note: Paul Goodman, CPA, PFCI, and Derrick Myers, CPA, CFP, love a good financial management challenge, however big or small. Send your questions to fmeditor@safnow.org, and we’ll challenge the experts to tackle them in an upcoming article.
Q: When I record a wedding sale to process payment, it shows up in the wrong month in my accounting. How can I fix this?

Sounds like you’re doing what a lot of florists do: recording the sale in full upon receipt of the first deposit or recording the deposit and payments as a sale when the cash is received.

The problem with these methods is two-fold. First, product and labor expenses show up months after the sale was recorded. Second, you’re reporting sales tax before you collect the money.

Fortunately, there are common workarounds for these problems; the most effective require you and your team to fully understand the capabilities of your point of sale (POS) system.

Most of the systems let you establish a house account and receive a payment against that account even if there has been no sale. This creates a negative balance that can be reclassified on the financial statements as a wedding deposit (which is a liability account). Each time you collect a payment, you process a “receive on account payment” until the wedding has been completely paid. The sale is then recorded on the day of the wedding, allowing the sale and the expenses to occur on the same day. The POS will then apply the sale to the customer’s account and the balance goes to zero.

Some POS systems have special abilities to hold a wedding sale and post it on a future date. In the interim, you can apply payments to it and they are not recorded as sales.

If your POS system does not have a way to handle these payments, you must track them manually. Keep a ledger for each wedding logging the payment dates, payment method and amount. Put the deposits in your bank account and credit the liability account “Wedding Deposits” or something similar to account for the money in your accounting general ledger. Once the wedding occurs, record the sale and clear the liability account.

Q: What specific items should I break out on a bridal invoice?

I have heard arguments for and against breaking down each item on the wedding quotes and invoices — bridal bouquets, table arrangements, altar pieces, various services, etc. Those against the idea are tired of pricing out a wedding only to have the document picked apart by a bride who then hires someone else to do this piece or that piece at a lower price. Those who believe the information should be broken down feel it is the bride’s prerogative to shop for lower prices on the different bouquets.

I think the pros of breaking down the information outweigh the cons. First, doing so prevents miscommunication by spelling out exactly what the couple will be receiving and for how much.

Also, depending on your state, certain items on the invoice, such as delivery, setup or teardown fees, may not be subject to sales tax. If you don’t break out those services, you must charge tax on the whole invoice.

It is important that when you list each item on the invoice, you price it so that you make the proper amount of profit. For example, suppose you price a wedding in which the bride wants a very elaborate, expensive bridal bouquet. You know that you are making a great profit on this, so you cut them a small break on their table arrangements. A few weeks before the wedding they decide to have someone else do the bridal bouquet (cheaper, of course), and now you are left with the discounted table arrangements and have lost most of the profit. By applying the same markup to all florals, you will avoid this.

Q: What can I do to help prevent nonpayment from a bride?

It’s simple: Don’t order the product for the wedding until the balance for the whole wedding is paid in full. Set up a schedule of payments; most florists break the payments into three installments, with the first due with the signed contract, the second due midway to the wedding date and the final balance due, in full, at least two weeks before the wedding (earlier if you have to rent special items, such as linens, pedestals, arches, etc.) but definitely before any product is procured for the wedding.

In addition, many shops don’t charge a consultation fee, but do charge a small nonrefundable date retention fee (usually around $200).

A signed contract outlining the services and fees protects you if there is a contested charge (see “Bridal Contract Must Haves...” p. 32). Even with a contract, however, I would recommend that you request your payments by check, unless the customer is well known to you and you have a good relationship, just to avoid the possibility that the customer could contest the charge. Credit card companies are all too quick to reverse the charge and leave you to argue with them and chase down your payment.

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